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26 September 1951

CIA No. 49359

Copy No.

143

DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Embassy Moscow comments on Soviet policy in Southeast Asia: In considering Soviet policy toward Southeast Asia and seeming Chinese Communist predominance in the area, the US Embassy in Moscow expresses doubt that the USSR has agreed to any formal demarcation of spheres of influence. In the embassy's opinion, it would be inconsistent with the nature of Stalinism to give free play to Chinese imperialism and independence and thus permit Communist China to become co-equal with the USSR in the world-wide Communist hierarchy.

However, the embassy believes that in practice the primary responsibility for operations and support of Southeast Asian Communist movements could have devolved upon the Chinese Communists. The Chinese enjoy geographical and tactical advantage and can utilize overseas Chinese colonies. Recalling the 1949 Asian World Federation of Trade Unions conference in Peiping, the embassy points out that the "liberation" program for Southeast Asia was mapped out with reference to the Chinese Communist pattern of an armed struggle with peasant support. (C Moscow 496, 22 Sep 51)

Comment: The USSR always prefers to avoid direct involvement in the "internal affairs" of other countries and, when possible, to work through indigenous Communist movements. Continuing Soviet interest in Southeast Asia is indicated by propaganda attention and by reports concerning Chinese Communist assistance to guerrilla forces in Indochina and Burma which frequently make reference to Soviet advisers.

2. USSR reportedly building up military supply base on Kunashiri Island:

25X6 [redacted] G2 FECOM reported the development of Kunashiri Island as a Soviet military supply base and training center. During August 1951, food and military supplies, tanks, vehicles, fuel and lubricants were unloaded from six ocean-going freighters at Yuzhno Kurilsk, and hauled to an undetermined location northeast of the city. The six ships unloaded during August represent a 100 percent increase over the number of vessels unloaded monthly from May through July 1951.

25X6 [redacted] that on 18 June 1951, ten tanks, identified as T-34's, were observed traveling westward from Kurilsk heading for a camp reportedly located near Nikishoro Lake. Between 24 and 28 August, artillery fire was heard "practically" every day and small arms fire almost daily. Light bi-planes and monoplanes reportedly circled the city and island daily in what appeared to be routine flights. No Japanese civilians or troops were observed near Yuzhno Kurilsk.

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The field comments that the airfield located north of Yuzhno Kurilsk is probably the former Japanese race track which was reported in 1948 to have been converted into an airfield. A small number of fighters may be stationed here for air defense purposes. In addition to the increased military activity reportedly occurring in Southern Sakhalin, it is also possible that the Russians are building up their strength on Kunashiri and other islands of the Kuriles. (S/C FEAF Tokyo AX 4001, 22 Sep 51, D-1)

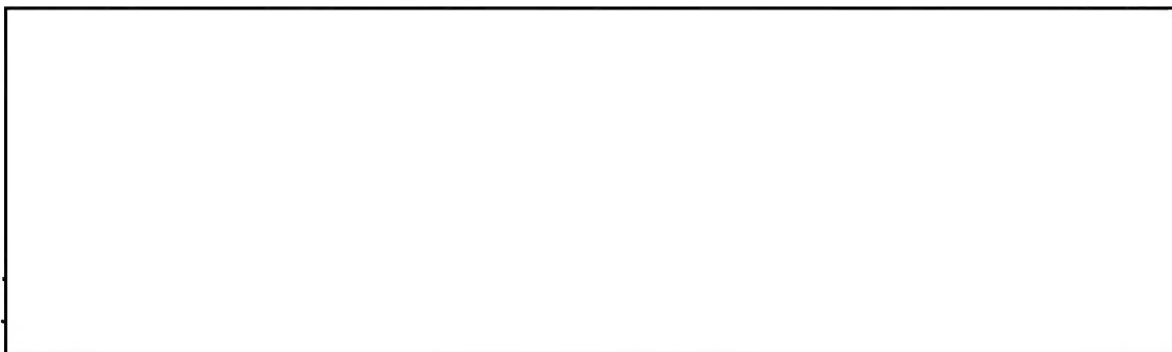
Comment: Because of the dearth of intelligence information regarding activity in this area, it is impossible to confirm or deny this report. However, due to the strategic position of Kunashiri Island, a buildup of Soviet military strength there and on other islands near Japan would be a logical development.

The reported absence of Japanese personnel in the area is contrary to other unconfirmed reports.

3. Collective farm charter violations condemned: Leading Soviet editorials and articles recently commemorated the fifth anniversary of the decree on collective farm charter violations. Among the evils stressed this year are individual plundering of communal property (including diversion of land to private use), illegal payments to non-farm personnel, violations of democratic procedures and payment rulings on farms. The main remedy suggested is a quarterly audit within the collective farms, and a semi-annual audit by raion authorities to uncover violations, which are now claimed to have assumed increasingly hidden forms. The press declares that a struggle against violations is synonymous with the execution of the main agricultural tasks of increasing crop yields and amounts of livestock. (S Moscow Weeka 38, 21 Sep 51)

Comment: The "evils" decried here reflect another phase in the constant struggle of the peasants to recapture some individual initiative and freedom of action in their daily affairs.

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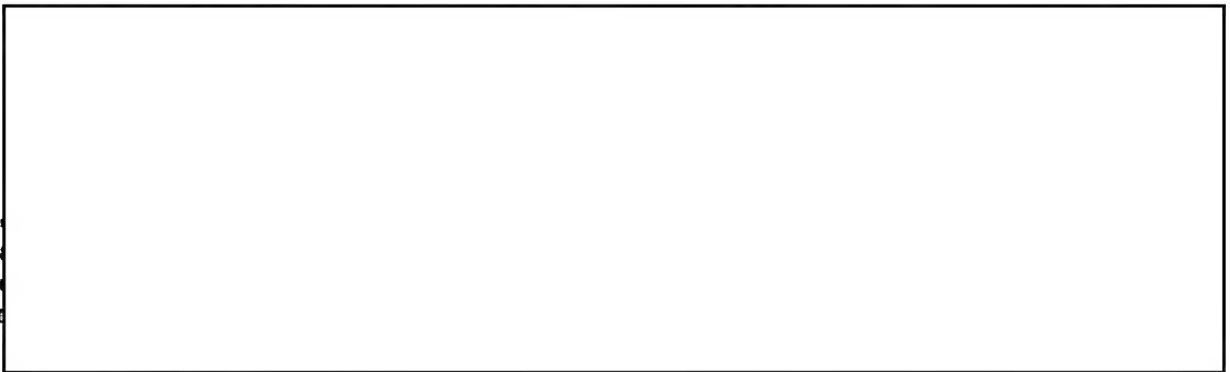


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5. Italian diplomats note currents in Soviet foreign policy: [redacted] 25X1C

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[redacted] Guelfo Zamboni, former counselor at the Italian Embassy in Moscow emphasized that the Soviet Union is extremely worried by US rearmament, and advanced the theory that there are two currents in present Soviet policy: (a) the belief that the USSR can delay American rearmament by temporarily relaxing its policy; and (b) the belief that US rearmament has gone too far to be stopped, and that the USSR, therefore, is obliged to start war on its own terms. In Zamboni's opinion, the Russians favor the first course, but if the relaxed policy fails to delay rearmament within one year, they may launch a general war.

The Italian Ambassador to Moscow disagrees, arguing that the Soviet Union is trying to delay US rearmament but has no intention of starting a general war until it is convinced that it can win. [redacted] 25X1A

6. Jamming of VOA broadcasts outside Moscow area: In connection with the current US Embassy program of systematically monitoring Russian-language VOA broadcasts outside of Moscow, a monitoring team recently spent eight days in Chkalov checking reception in that district. Jamming was observed to be stronger than in any other area so far visited by embassy monitoring teams. What appeared to be jamming equipment was observed. This equipment consisted of 24 wooden poles to which hundreds of wires were attached; on some of the wires metal discs were attached about two feet apart, running both horizontally and vertically from pole to pole.

Systematic interference was encountered on all frequencies. During periods when systematic jamming was used, its effectiveness was felt to be more intense than in the Moscow area where occasional lapses permitted several minutes of VOA to be heard. (C Moscow Desp. 754, 26 June 51)

Comment: Because of the distance between Moscow and Chkalov it is undoubtedly difficult to hear Radio Moscow with a standard 4-tube set,

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so short wave receivers are an essential part of radio equipment sold in that area. The population thus has more opportunities to listen to VOA, and the need for preventive jamming is proportionately increased.

7. ALBANIA. Free Albania radio broadcasts: The clandestine radio station "Voice of Free Albania" inaugurated daily broadcasts on 21 September "for Albania, for freedom and for the red and black flag." The radio claims that it represents the National Committee for Free Albania and all Albanians who want a strong and free homeland. Programs include news items and commentaries on the Albanian situation. (R FBID, 24 Sep 51)

Comment: It is too early for a reaction to the Voice of Free Albania to be evident in official Albanian propaganda.

8. Hoxha announces aims of first Five Year Plan: Premier Hoxha presented the aims of the first Five Year Plan to the Central Committee of the Albanian Workers' Party on 21 September. In outlining the tasks ahead, Hoxha emphasized the need to develop coal, oil, textile, leather, timber, iron and steel production. He placed particular emphasis on the necessity of improving agricultural output and consolidating existing cooperatives. Hoxha noted that the creation of new agricultural cooperatives must be preceded by detailed preparatory work to convince the peasants of the superiority of collective enterprise. (R FBID Tirana, 25 Sep 51)

Comment: The first Five Year Plan was announced in March 1951, but its provisions were not stated at that time. The Hoxha government's stress on the agricultural sector of the economy has been evidenced by vacillating decisions on agricultural socialization plans and the reorganization of the Ministry of Agriculture early in September 1951.

9. BULGARIA. Industrial ministries reorganized: The Bulgarian Praesidium of the National Assembly has issued a decree dividing the Ministry of Industry into a Ministry of Heavy Industry and a Ministry of Light Industry. The Council of Ministers will assign to the new ministries all Bulgarian enterprises formerly under the jurisdiction of the ministries of industry and of forests. The Ministry of Forests has been demoted to the status of an administration. (U Sofia FBID, 24 Sep 51)

Comment: While recent propaganda has stressed the growing importance of Bulgarian industrial development, the Ministry of Industry, among others, has consistently failed to meet the goals of the Five Year Plan. Reallocation of responsibility for industrial enterprises will tighten control, and at the same time bring the Bulgarian organizational structure

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for industry into line with that of the more industrialized Satellites. No announcement has as yet been made of any changes in top personnel. The present Minister of Industry appeared at a public meeting with other members of the Politburo on the day following the above announcement, and so has apparently not been purged in this reorganization.

10. FINLAND. Finnish fear USSR will get their cobalt supplies: The managing director of Vuoksenniska Oy. (the leading metallurgical firm in Finland), which is now making preparations to begin commercial production of cobalt-bearing metallic salts by an exclusive new process, has expressed fear to the US Legation in Helsinki that the Soviet Union will put pressure on the Finnish Government in order to acquire such portions of this extremely strategic product as are not contracted for by the West. According to the company's director, the USSR is still unaware of the company's plans, but inquired six months ago concerning the possibility of purchasing Finnish cobalt. The US Air Attache who recently visited the company's new plant states that plant officials believe the Communist press will have the story in a few days.

Vuoksenniska Oy. has offered a portion of its anticipated 1952-1956 output to the Vitro Manufacturing Company of Pittsburgh. Vitro showed some interest, but has not accepted the terms of the Finnish offer. As a result, the director of the Finnish firm has proceeded to Western Europe to follow up previous negotiations, remarking that if Vitro remained unwilling to accept his offer he would place the entire production under long term contract in Western Europe.

The US Legation in Helsinki believes the situation calls for speedy action to preclude the possibility of Russian purchases. The legation suggests that Vitro be urged, by the offer of government underwriting if necessary, to accept the Finnish company's proposal. (S Helsinki 145, 21 Sep 51)

Comment: Cobalt is used for hardening steel alloys and increasing their heat resistance, and is thus important in the production of jet engines. It is also used in the manufacture of magnetic steel. The US consumed approximately 2,000 tons annually in 1946 and 1947, and in 1947 it imported a total of 38 tons. Estimated world production of cobalt in 1947 was 5,000 tons.

Vuoksenniska expects to produce 100 metric tons of cobalt during 1952 and 300 metric tons annually from 1953 to 1956. The additional production will come from a second plant, which will be operating in early 1953.

It seems probable that if large amounts of this cobalt go to Western Europe, it will find its way to the Soviet bloc through illegal channels.

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11. RUMANIA. Location of crack armored division uncertain: The US Army Attache in Bucharest, during a field trip to Craiova on 19 September, observed no evidence that the Tudor Vladimirescu armored division was in the immediate area (OCI Daily Digest, 19 Sep). The attache noted no unusual military activity in the vicinity of Craiova. (S Bucharest 135, 21 Sep 51).

Comment: It is possible that Rumania's only armored division did in fact move toward Craiova, but may have proceeded westward to the Turnu-Severin area along the Yugoslav border where large-scale army maneuvers were held last year.

12. Diplomatic missions to be enlarged: Despite tense Italian-Rumanian relations (OCI Daily Digest, 19 Sep), the Rumanian Foreign Office has requested visas for five new members of the Rumanian Legation in Rome. Visas for enlarged staffs in the Rumanian legations in Paris, Ankara and Washington have also been requested. The US Legation in Bucharest interprets these moves as indicative of a general program of "strengthening representations in Western countries." (C Bucharest 137, 21 Sep 51)

Comment: The number of Rumanian diplomatic representatives in these Western countries is now smaller than the representation of those countries in Rumania. Despite flagrant harassment of Western diplomatic missions in Rumania and continuing maltreatment of Western nationals, the Rumanian Government is apparently confident that the Western countries will grant the requested visas rather than risk further paring of their staffs in Bucharest.

13. YUGOSLAVIA. Foreign Office does not consider early Satellite attack likely: According to the Yugoslav Charge in Bucharest, the Yugoslav Foreign Office does not consider any early Satellite attack likely, although the numerous border incidents are very harassing. (S Bucharest 133, 21 Sep 51)

Comment: On numerous occasions in the past few months Yugoslav leaders have pointed to the increase in border incidents but have stated that they do not consider a Satellite attack in 1951 likely.

14. Kardelj considers early bilateral settlement of Trieste issue unlikely: In early September, Foreign Minister Kardelj reportedly explained [redacted] that Yugoslavia officially supports direct negotiations between Yugoslavia and Italy because the Allies desire it and not because it is the best way to handle the issue. Kardelj predicted that the wide divergence of views held by the two

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25X1A countries would preclude any solution in the near future. He stressed that it was of the greatest importance to Yugoslavia and to the people of Trieste that the Independent movement be fostered and strengthened in Trieste. [REDACTED]

Comment: This report appears to be a straightforward statement of the present Yugoslav attitude toward the Trieste issue. Even if the Italians should consent to negotiate with the Yugoslavs on the basis of the ethnic principle rather than the 1948 Tripartite Declaration, it appears unlikely that either party would be willing to compromise sufficiently to obtain a settlement.

15. INTERNATIONAL COMMUNISM: Youth "executive" of Cominform reportedly formed: During the Berlin Youth Festival, a youth "executive" of the Cominform reportedly was established with headquarters in Prague. It will be represented at all Cominform meetings except those restricted to the Central Committee. This executive, a committee of four headed by Enrico Berlinguer, President of the World Federation of Democratic Youth, will take over direct control of all political, cultural and sports affairs of para-Communist youth associations including the International Youth Movement of Peace Partisans. [REDACTED]

25X1A Comment: The only plausible reports of the Cominform organization have broken down the Executive Council into five sections — Propaganda, Economics, Politics, Information, and Military Affairs. Youth Affairs was the third branch of the political section and came under the direction of Mikhailov (USSR), assisted by Pesse (Italy) and Altmann (Poland). Therefore, the subject report may refer to a change in leadership designed for improved exploitation of youth rather than a change in the present Cominform organization.

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SECTION 2 (EASTERN)

1. GREECE. Final Greek election results: The Greek Ministry of the Interior has announced the following distribution of Deputies' seats: Papagos, 110; Plastiras, 72; Liberals, 56; EDA (Communist), 9; Populists, 2; Agrarians, 1. (R FBID Ticker, Athens, 25 Sep 51)

Comment: The final results of the Greek elections show the expected deadlock, since Marshal Papagos still does not have a majority.

The king is apparently attempting to delay calling upon Papagos to form a new government, but he probably cannot avoid doing so for long. If Papagos fails to form a government, it is possible that a Plastiras-Venizelos coalition would come to power. This would result in an extremely unstable regime.

If no party is able to form a government, new elections will be necessary and will further complicate and slow down the economic progress of Greece.

2. SYRIA. Greek Orthodox Synod in Damascus issues neutrality declaration: The Greek Orthodox Synod, at its 19 September meeting in Damascus, issued a neutrality declaration in regard "to the international political dispute." At the same time the synod approved the activities of the Patriarch of Antioch during his recent trip to the USSR, Rumania and Greece. The Patriarch had informed the synod that his visit to the USSR was a goodwill tour, designed to salvage as much church property as possible in the Soviet-controlled area. Other reports indicated that the Patriarch received a considerable sum of money, possibly 100,000 dollars, from Soviet officials while he was in Moscow.

The US Legation at Damascus comments that, while the synod's neutrality declaration and its approval of the Patriarch's recent activities in the USSR may assist the implementation of Soviet policy in the Near East, it does not believe that the Church of Antioch itself has adopted a pro-Soviet policy. The legation adds that continued criticism of the Church of Antioch by the West would not be wise at the present time but that friendly overtures to the Patriarch and the Greek Orthodox Clergy would achieve more in reversing Soviet propaganda successes than would further public criticism by the West. (S Beirut 267, 21 Sep 51; S Damascus 151, 21 Sep 51)

Comment: Soviet ability to influence Greek Orthodox Church leaders outside the Soviet bloc has been enhanced by the facts that many members of the church are within the Soviet Orbit and that church leaders outside the Soviet area are unwilling to cause a division in the church. Soviet propaganda in the church is likely to meet with further success, unless Greek Orthodox

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leaders outside the Soviet area insist on a strong church stand against USSR activities.

3. AFGHANISTAN. Administrative change in USSR-Afghan trade pact: No formal negotiations will be conducted between Afghanistan and the USSR to list in detail the barter commodities for 1951-52, as prescribed in the four-year agreement of July 1950, according to an official of the Afghan Ministry of National Economy. Afghan merchants will be permitted to make contracts directly with Vostokintorg (a Soviet trade agency) in Kabul. Contracts will merely be registered at Da Afghanistan Bank which maintains dollar balance records.

The US Embassy comments that the administrative burden of managing inter-government barter was apparently too great for the Afghan Government, which will now merely maintain control through a government bank. (C Kabul, Jt Wka 12, 21 Sep 51)

Comment: As reported previously, exchange of goods under the pact signed in Moscow on 17 July 1950 has not gone smoothly.

4. INDIA. Communist Party has little chance of success in national elections: Apropos of the Communist Party of India's desire to function as a constitutional party and to participate in the coming elections, Home Minister Rajagopalachari told the Indian Parliament on 17 September that the government has seen no concrete effort by the Party to dissociate itself from violence. Therefore, he saw no need for himself and Prime Minister Nehru to accede to a request of Indian Communist leaders for an interview.

US Embassy New Delhi comments that the statement of the Home Minister is a further indication that the Indian Government intends to maintain existing restrictions on Communist activities. These promise to reduce materially the chances of any significant Communist success in the elections. (S New Delhi, Jt Wka 38, 21 Sep 51)

5. BURMA/THAILAND. Thai coup leaders in Rangoon: According to the Thai police, the Burmese Embassy in Bangkok has verified the presence in Rangoon of three leaders of the abortive 29 June Thai coup, including the commanding officer of the ship upon which Premier Phibun was held captive. The police indicated that no action against these men was contemplated by the Thai Government for the present, although their movements would be followed. The US Embassy in Bangkok reports that there are inconclusive rumors that two of these refugees have Communist connections. (C Bangkok 707, 22 Sep 51)

Comment: The Thai Government has taken no steps to extradite others

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implicated in the coup who are being held in custody in Indochina and in Malaya.

6. INDOCHINA. Vietnamese vice-premier is pessimistic about French-Vietnamese relations: Nguyen Khac Ve, Vietnamese vice-premier and longtime exponent of French-Vietnamese cooperation, recently revealed in an interview with Charge Gullion his profound dissatisfaction with the orientation of the Vietnamese Government and its subservience to the French. He maintained that any enlargement of the cabinet would only mean the enlistment of Vietnamese who are entirely French in sympathy. He stated that so far as the organization of the French Union is concerned, Premier Huu would approve whatever the French desired. (S Saigon 688, 23 Sep 51)

Comment: It is possible that Khac Ve, in uttering these familiar complaints, is merely expressing pique at curtailment of his own powers. Nevertheless, there has been during the past several months a significant movement out of the Vietnamese Government, either voluntarily or under pressure, of Vietnamese who have long subscribed to the principle of French-Vietnamese cooperation but who have been unable to go along with the policies formulated by De Lattre and Tran Van Huu.

7. PHILIPPINES. Increased dissident activity noted: The US Embassy in Manila notes a considerable increase in dissident activity during the past few weeks, consisting mostly of attacks by small units, which it attributes to the following factors:

- (1) the traditional Communist pattern of destroying confidence in the government and creating a psychology of fear;
 - (2) the Huks' known policy of attempting to disrupt the November elections; and
 - (3) continued armed forces' pressure on the Huks, necessitating action to replenish supplies and rebuild morale.
- (C 1105 Manila, 21 Sep 51)

Comment: Huk forces are being divided into squadrons of 12 men, with each squadron commander under orders to carry out at least one ambush or kidnapping per month or be demoted.

In addition to the increased Huk activity, pre-election disturbances not necessarily connected with the Huks are intensifying in accordance with the pattern of previous years.

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8. CHINA. Plot to smuggle oil and rubber from Borneo to China uncovered: The US Consul General in Hong Kong believes that the 1,600-ton British vessel Lady Wolmer is scheduled to load petroleum and rubber in Borneo for Macao or Communist China. He adds that the vessel's owners, Wheelock, Marden and Company, are "notorious blockade runners."

In mid-September the reporting officer was able to break up a similar arrangement involving the Panamanian-flag vessel Nidar by notifying the Panamanian Consul General, who obtained a written assurance that the Nidar would not call at Communist ports or carry "war materials" to Macao or Hong Kong. (C State Hong Kong 1174, 24 Sep 51)

Comment: There have been occasional reports of the movements of oil products from Borneo to Communist China. None of these reports has been confirmed, however, and the scale of this smuggling appears to be still small.

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9. Provincial Police organization on Formosa enlarged: [redacted]

[redacted] on 1 September a Foreign Affairs Police Officer Group was established on Formosa within the framework of the Foreign Affairs Section of the Provincial Police. Cheng Yi-kuan, already chief of the Foreign Affairs Police, will direct the newly organized group--consisting of 70 officers--in their street patrolling duties and in various other assignments involving foreign diplomatic missions on Formosa. [redacted]

Comment: Cheng Yi-kuan owes his job as head of the Foreign Affairs Police to Chiang Kai-shek's son, Chiang Ching-kuo. Chiang Ching-kuo's power in the Nationalist regime has been greatly increased in recent months due to his iron-handed control of all police and secret service activities on Formosa.

10. KOREA. Recent Communist prisoners report serious food shortages: According to a US Eighth Army operations report of 18 September, Communist prisoners of war taken recently indicate that "a marked food shortage (exists) across the entire front." It is observed that these reports "substantiate the belief that the UN air interdiction of the enemy main supply routes is effective at the tactical level." (S FEAF AX 1027, Tokyo, 23 Sep 51)

Comment: While UN aerial interdiction of supply routes has undoubtedly played a major role in constricting enemy rations for the front lines, other factors have also played a part. Among these are the extreme shortage of food obtainable by foraging in the present battle area, the apparent high priority given by the Communists to the forward movement of munitions and ordnance, and the food shortages known to exist generally in North Korea.

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SECTION 3 (WESTERN)

1. GERMANY. McCloy comments on signing of interzonal trade pact: High Commissioner McCloy believes that the Western position would be strong in the event that it becomes necessary for the Allies to suspend the recently signed interzonal trade pact. He states that the USSR and the East Germans were made sufficiently aware that their present harassing measures in Berlin must cease as a condition for continued East-West German trade, despite the fact that nothing was agreed to in writing. McCloy adds that if the Soviet and East German authorities wish to reimpose restrictions, they will do so regardless of any promises or commitments, but at least they have been warned that such action may result in an Allied order to suspend interzonal trade. (S Bonn 188, 22 Sep 51)

Comment: So far, the East Germans have complied with the West's conditions only to the extent that they have reduced the rates of the tax on Berlin autobahn traffic. Interference with parcel post shipments continues, and there are indications of further delay in the promised reopening of the vital Rothensee canal lock.

2. AUSTRIA. US reluctantly agrees to Anglo-Soviet negotiations on air corridor: At the meeting of the quadripartite Air Directorate on 19 September, the Soviet and British representatives proposed withdrawal of the air-corridor question from the agenda pending high-level bilateral negotiations. The British representative stated that several proposals are under consideration -- a Soviet proposal for prior notification of flights, and two British proposals for a central traffic control center and the creation of a corridor "funnel" involving variable-altitude flights. Results of these discussions will be submitted to the directorate for quadripartite examination. The US, strongly supported by the French, expressed deep concern that the bilateral negotiations may possibly prejudice quadripartite action, but agreed to the deletion from the agenda. In private conversations American officials advised the British of US concern that prior flight notification might ultimately jeopardize air-corridor rights and create difficulties for non-occupation airlines. (S Vienna 1096, 22 Sep 51)

Comment: The British High Commissioner has previously informed the US Legation that the British would not agree to prior notification of flights (see OCI Daily Digest, 18 Sep 51). Although concessions in this or in other respects might encourage the Soviet authorities to reopen the entire question of air-corridor rights, it would appear that agreement on the necessity of quadripartite approval will provide ample protection against concessions regarded as unacceptable by the US.

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3. US protests Austrian transfer of prisoner to Soviet sector: US authorities in Vienna have protested to the Austrian Government the order of a Viennese judge transferring an Austrian prisoner held in a US-sector jail to a prison in the Soviet zone of occupation. The order was not cleared with the US headquarters and is wholly without precedent. US officials regard this as a serious matter. The prisoner in question has been accused by the Soviet authorities and the Communist press of participation in an act of arson committed against a Soviet-managed factory by a Communist "deviationist" in the employ of the Americans. US officials believe that the Soviet Headquarters desired the prisoner for questioning. The Viennese judge has admitted that he acted "under pressure." (S Salzburg Joint Weeka 38, 22 Sep 51)

Comment: The Soviet authorities in Vienna have previously shown extreme sensitivity on the arson episode, apparently fearing that it may represent a weakness in the local Communist organization. However, the Austrian courts have up to now cooperated with the US in interzonal police matters of this nature.

4. ITALY. Communist workers may be taught industrial sabotage in USSR: The Communists are preparing to send workers who are party members on a special train to the USSR for a one-week visit with all expenses paid. A recruiting committee of the pro-Cominform Communist Party of Trieste has visited major factories in that area in order to include five local workers in the group.

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Comment: It is quite likely that the delegation's scheduled visit to the Soviet Union is for the purpose of instruction in industrial sabotage. This would be in accord with reports that the Communist Party has recently been accelerating its program in that field. Another possible purpose of the visit is indoctrination in the Soviet-Communist peace offensive in order to give the campaign in Italy greater support among the working classes.

The delegation's departure from Italy would be another instance of Communist success in evading the government's July 1951 ban on the issuance of passports to Italians wishing to visit Iron Curtain countries.

5. Communist defectors describe program of new movement: Communist defectors Magnani and Cucchi have announced the program of their Italian Workers' Movement, which held its first national congress in Rome on 23 and 24 September. They stand for national independence and opposition to the Atlantic Pact, but defense against any aggressor; abolition of the Italian peace treaty of 1947, and direct negotiations with Tito for the return of Trieste to Italy on the basis of an ethnical solution;

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efforts to attain a parliamentary majority that would allow the forces of labor to assert themselves; and defense of the principle of the state's lay character and of full freedom of worship and religion. Magnani said that the movement was trying to unite the independent socialists.

Cucchi and Magnani said their movement has from 12,000 to 15,000 militant followers and has progressed particularly well in Piedmont, Milan, Rovigo, Emilia, Apulia and Sicily. In the Emilia region of north Italy, where the movement was born, the Communist Party has organized strong-arm squads on motorcycles to intimidate would-be "deviationists." In Bari and Foggia, in southern Italy, Communist labor federations are undergoing a crisis, according to Magnani, and at present are being run by party officials sent from Rome headquarters. (R FBIS, Paris Radio, 23 Sep 51; U NY Times, 25 Sep 51)

Comment: The figures given for the Italian Workers' Movement seem reasonable. Early last spring the following was estimated at about ten thousand. There has been little evidence recently of large-scale defection to the movement.

6. UNITED KINGDOM. Embassy assesses potential swing to right in general election. In a preliminary estimate of general election prospects, the US Embassy in London states that British speculation centers mainly around the size of the expected Conservative majority. Stressing the number of constituencies likely to change hands, the embassy points out that in the February 1950 election, 183 of the 625 seats were won by minority votes in three-cornered fights, and 45 others were won by a majority of less than 1,000. There will be far fewer three-cornered contests in this election, since the Liberal Party has thus far put forward only 174 candidates. In 1950 there were 478 Liberal candidates. An increase of only 3.3 percent in the Conservative popular vote in the last general election netted the Conservatives a gain of 85 parliamentary seats, while in 5 by-elections held so far this year the Conservative share of the popular vote has risen an additional 7 percent. Nevertheless, on the basis of the 1950 figures, 220 seats look reasonably safe for Labor, 168 for the Conservatives, and 2 for the Liberals.

The embassy warns incidentally that "there is real danger" that the US may be injected into the campaign by Bevan or others who have charged the government with being too much under American influence. (C London 1479, 21 Sep 51)

Comment: The comparative scarcity of Liberal candidates in this election is probably an advantage for the Conservatives. In 1950 the Liberals collected 2.6 million votes. In a recent poll of Liberal

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voters, about 40 percent said that, given no candidate of their own party, they would vote Conservative, while 21 percent said that they would definitely vote Labor.

7. SWEDEN. Neutrality influenced termination of ECA aid: The US Embassy in Stockholm has learned that the decision of the Swedish Government last month to terminate ECA aid was made by the full cabinet. The embassy interprets the decision in part as a tendency "to crawl back into its neutral shell." (S Stockholm 388, 24 Sep 51)

Comment: The Swedish Government fears that ECA is being transformed into an economic handmaiden to MDAP, and that various ECA organs such as OEEC will become mere economic instruments of NATO. The government fears that Sweden would thus become in many ways a de facto member of NATO.

- 25X1C 8. BRAZIL. Industrial diamonds smuggled to Soviet Orbit: [redacted] a Brazilian and an Austrian are engaged in smuggling industrial diamonds from Brazil to the USSR. The two men are reportedly operating "from headquarters in Bad Gastein in the US occupied zone of Austria, and are using carriers to bring the Soviet platinum to Brazil and return with Brazilian industrial diamonds." (S/Control, [redacted])

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25X1A Comment: Reports of the smuggling of diamonds from Brazil to the USSR have been prevalent since at least 1949. In December 1950 the US Embassy in Brazil reported that "if the fact were established that Russia is obtaining diamonds from sources in Brazil, consideration might be given to the establishment of a purchasing program similar to the one which was in operation during World War II." During the past year the Brazilian Government prohibited a shipment of quartz to Czechoslovakia, and it could be expected to cooperate in an effort to wipe out the illegal diamond trade.

9. CHILE. Communists successful in two important labor union elections: On 12 August Communists were elected to three out of five officer positions in both the Lota and Coronel coal mining unions. Recent information indicates that the Minister of Labor had annulled an earlier, technically legal union election at Coronel, and that he permitted these latest elections to be held without the elimination of Communist candidates as provided for by law. The embassy comments that "it is inconceivable that the minister did this without the concurrence of President Gonzalez Videla." The minister has implied that the political affiliation of union officers is secondary to labor peace and continuing production in the coal mines. (C Santiago D-229, 23 Aug 51)

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Comment: The Communist labor position is now strengthened by their open domination, at least in numbers, of the directorates of these two unions which are important to the Chilean economy. The officially condoned election of Communists, eulogized by Communists as the first "free" union balloting since the passage of the anti-Communist Defense of Democracy Law three years ago, is a forward stride in their recently intensified campaign against the "Law." While the government's action was partly dictated by depleted stocks of coal and the existing threat to rail operations, electric power production and gas output, it was a definite concession to Communists.

10. MEXICO. Communist peace campaign suffers severe set-back: The recent release of a letter written last January by Martin Luis Guzman, in which he resigned from the vice-presidency of the Mexican Peace Committee, is considered by the US Embassy in Mexico to be "the severest blow suffered by the Mexican peace movement to date." Guzman, who is publisher of the influential news weekly Tiempo, and is now Mexican Ambassador to the UN, explained in his letter that his original doubts concerning the committee had become certainties, and that he was convinced that the peace campaign was not dedicated to conciliation or rapprochement, but was concerned with unilateral proposals practically identical with those which would be advanced by the USSR. The embassy states that "what could be termed a furor has already been created in the press and among intellectuals by the Martin Luis Guzman affair," and it foresees "the beginning of a new campaign to discredit entirely the phony peace movement." (C Mexico City D-435, 13 Aug 51)

Comment: Guzman, in a conversation with the Cultural Attache of the US Embassy, said he had been asked by representatives of Vicente Lombardo Toledano, not to release the letter at the time it was written for fear that "the whole peace movement would collapse in Mexico" if he did so. Its recent release was suggested by the Attache, whom Guzman approached in order to explain his ideological sympathies, and was published by Guzman in connection with his rejection of an invitation to attend the forthcoming Yugoslav Peace Congress.

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26 September 1951

CIA No. 49359-A

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CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Embassy Moscow suggests approach on release of US internees in Asia: The US Embassy in Moscow believes that the slight success achieved by the British in negotiating with the USSR regarding the release of civilian internees in North Korea is partially the result of the fact that the former (pre-June 1950) British diplomatic representative at Seoul is among the internees. In order to bring about the release of US civilian internees, the embassy recommends a moderate approach to the Soviet Foreign Office emphasizing the normal character of the US attempt to seek the good offices of the USSR as the government maintaining diplomatic relations with the two other parties. This approach should be made on the highest possible level; the US Ambassador's parting visit to Vishinsky might provide a suitable occasion.

The embassy concludes that if Soviet Ambassador Roshchin makes a suitable representation in Peiping regarding US civilians in Communist China, it might indicate Soviet willingness to act as intermediary since presumably he would not be acting without authority from Moscow. (S, S/S Moscow 503, 24 Sep 51).

SECTION 2 (EASTERN)

2. BURMA. Effort continues to forestall Burmese appeal to UN: The US Embassy in Rangoon has been instructed to assure the Burmese Foreign Office that the US has in no way been involved in the smuggling of arms to the Chinese Nationalist troops in Burma, and that the US will take appropriate action against any American citizen found to be engaged in such activities. The Burmese also are to be told that the US and UK Ambassadors in Bangkok will make a joint approach to the Thai Government requesting full cooperation in preventing supplies moving to those troops.

Meanwhile, reports from New Delhi indicate that the Indian Government has been favorably impressed with an account of US efforts to solve the problem. A high Indian official has suggested that perhaps the best procedure might be to lay "all the facts" before the Burmese in an effort "to see what could be done." (S, S/S to Rangoon 279, 20 Sep; S, S/S New Delhi 1088, 22 Sep; S, S/S New Delhi 1091, 22 Sep 51).

Comment: These reports indicate a more cooperative attitude on the part of India than was previously denoted.

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3. JAPAN. State of war with Italy to be terminated: The US Political Adviser in Tokyo reports that an exchange of notes, terminating the state of war between Japan and Italy, will be released on 27 September. (S, S/S Tokyo 630, 25 Sep 51).

Comment: While the texts of the notes are not available, it is believed that Japan has recognized its responsibility to compensate for damage to Italian property in Japan which occurred after 8 September 1943, but has refused to extend any of the other benefits of the multilateral peace treaty.

SECTION 3 (WESTERN)

4. FRANCE. French oppose Italian proposal that economic provisions of peace treaty be revised: The French Foreign Office has instructed its Ambassador in Washington to oppose categorically injection of economic questions into revision of the Italian Peace Treaty of 1947. The French take the position that the agreement with Italian Premier de Gasperi at Ottawa pertained entirely to a revision that would give the Italians "moral satisfaction" and free them from the military restrictions. They feel the new Italian proposal involves a fundamental change of the entire philosophy behind revision, a change the French are "unable to contemplate."

The French feel that if the Italians are not confronted with tripartite unity on this point they will continue to push for additional changes and exploit the differences among the three Western powers. They fear that the Department of State might find acceptable a solution providing for bilateral negotiations regarding relief from the economic provisions of the treaty. (S, S/S Paris 1845, 24 Sep 51).

Comment: France's insistence on the provision for claims for war damage in the Japanese Peace Treaty, as well as fear of setting a similar precedent in a possible German treaty, may account for its opposition to revision of the economic clauses of the Italian treaty.

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